

**DEPARTMENT OF VETERANS AFFAIRS**

OFFICE OF THE SECRETARY

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February 8, 2010

Ana Matasantos, Director  
Department of Finance  
State Capitol, Room 1045  
Sacramento, CA 95814

Dear Director Matasantos:

In accordance with the Financial Integrity and State Managers Accountability Act of 1983, Government Code Sections 13400 through 13407, I am submitting the enclosed report describing the review of our systems of internal and management controls for the biennial period ending December 31, 2009.

As statutorily required, the Department of Veterans Affairs is in compliance with Government Code Section 12439.

Sincerely,

A handwritten signature in dark ink, appearing to read "Roger Brautigan".

ROGER BRAUTIGAN  
Secretary

Enclosure

cc: Governor Arnold Schwarzenegger  
Joint Legislative Audit Committee  
Bureau of State Audits  
State Library  
Rocky J. Chavez, Undersecretary  
Jack Kirwan, Deputy Secretary for Administration  
JP Tremblay, Deputy Secretary for Legislation and Communications  
Robert Wilson, Deputy Secretary/Chief Counsel

**HONORING CALIFORNIA'S VETERANS**

**California Department of  
Veterans Affairs**

**Organization Code 8955**

***Biennial Report  
on the  
Adequacy of Internal Accounting and Administrative Control***

In compliance with the  
Financial Integrity and State Manager's Accountability Act of 1983

December 31, 2009

## EXECUTIVE SUMMARY

The California Department of Veterans Affairs (“the Department” or “CDVA”) has completed its evaluation of the effectiveness of its internal accounting and administrative controls for the period ending December 31, 2009. This report is in response to the requirements of Government Codes 13400 through 13407, known as the Financial Integrity and State Manager’s Accountability Act of 1983 (FISMA).

The Department undertook a comprehensive review of the its control environment, and critical business functions, objectives and activities. We reviewed the Department’s workforce planning efforts, and conducted a structured management controls and risk assessment process. That assessment process identified program areas that carry a level of risk such that they require continued monitoring by the executive management team. None of these were evaluated as material findings. The review highlighted some areas for continued diligence and oversight by executive management, but did not identify any additional high-risk activities not already being tracked and monitored by executive management. Mitigation strategies have been identified for all of those risks. Those risks requiring continued oversight are:

- Activation of the Greater Los Angeles and Ventura County Veterans Home
- Enterprise-wide Veterans Home Information System (EwVHIS) Information Technology Project.
- Construction and Activation of the Veteran Homes of California at Fresno and Redding.
- CalVet Loan Program Internal Controls: Risk Management

The review identified no material inadequacy or material weakness in the Department’s systems of internal accounting and administrative control that prevent the Secretary from stating that the Department substantially complies with the intent of FISMA. However, the review was very informative in evaluating internal and management controls, and identifying potential risks to program execution. The review highlighted some high risk areas for continued diligence and oversight by executive management. Should you have any questions please contact Jack Kirwan, Deputy Secretary of Administration, (916) 657-4704, [jack.kirwan@cdva.ca.gov](mailto:jack.kirwan@cdva.ca.gov).

## BACKGROUND

### *Department's Mission*

The California Department of Veterans Affairs plays an important role in the lives of our California Veterans and their families. The following is our Mission, Vision, Goals, and Core Values that we follow and have posted on our website for all our stakeholders to see:

#### **Mission**

- The administration of outstanding state veterans homes that provide a continuum of care for veterans who choose to live in those homes through the **Homes Division**
- The administration of a financially strong and economically successful housing program for veterans and their families through the **Farm and Home Loan Division**
- The provision of services and advocacy on behalf of veterans before the U.S. Department of Veterans Affairs through the **Veteran Services Division** and the Deputy Secretary for **Women and Minority Veterans**

#### **Vision**

California veterans will live the highest quality of life with dignity and honor.

#### **Goals**

- **Housing for Veterans, Farm and Home Loan Division** – Provide outstanding customer service and wise financial planning that results in a profit each fiscal year and will achieve a AAA rating for the Division's General Obligation bonds from two of the rating agencies by 2014 and improve the current rating by at least one level by 2011.
- **Long Term Care for Veterans, Veterans Homes Division** – Achieve a CMS Five-Star quality rating by 2014 for all the Division's Veterans Homes, and improve current rating by at least one level by 2011.
- **Services for Veterans, Veteran Services Division** – Provide high quality advocacy and services for all California Veterans and increase the percentage of veterans in California who receive USDVA compensation and pension benefits to at least the national average by 2014.

These updated goals are aligned with Governor Schwarzenegger's vision for California's future and reflects his great respect and appreciation for our veterans and their sacrifices for the nation.

#### **Core Values**

- Respect for All
- Absolute Integrity
- Outstanding Service

- Commitment to Excellence
- A "Can Do" Spirit

### ***Department's Environment***

The control environment of the Department was reviewed since it sets the tone and instills a control consciousness from executive management down through all levels of the organization. We reviewed the following six factors that comprise the control environment: Integrity and Ethical Values, Commitment to Competence, Management's Philosophy and Operating Style, Organizational Structure, Assignment of Authority and Responsibility, and Human Resource Policies and Practices.

Integrity and ethical values have been established and communicated throughout the organization in addition to the appropriate codes of conduct, policies, and conflict of interest statements. High ethical standards have been utilized in dealing with all stakeholders both within and outside the department. There are active reporting systems to ensure required training and reporting is kept current. As a result, remedial action has been minimal and management override of controls nonexistent.

There has been a strong commitment to competence. This is evidenced by both the analysis of the knowledge, skills, and abilities necessary to perform the various jobs in the Department and the training programs, both formal and informal, that are utilized. The Department actively utilizes employee individual development plans (IDP) as a basis for both feedback and training purposes. The Department is also undertaking a proactive competency-focused training program to ensure employees are aware of the competencies they need in order to advance, that they have access to training to develop those competencies, and to ensure the Department has competent successors in place as its senior staff retire.

Management's philosophy and operating style are conservative with respect to risk and as a result ensures that internal controls are followed and sound financial reporting is employed. This is considered very important since in addition to review by various control agencies and outside auditing entities, the Department must ensure compliance with bond covenants and restrictions. A variety of reviews, studies, or audits have taken place over the last two years that demonstrate adherence to this philosophy and operating style.

The organizational structure is a hybrid with respect to centralization/decentralization. The CalVet Home Loan Program and Veterans Services are essentially centralized with the utilization of a limited number of regional/field offices. The Veterans Home Division is more decentralized with respect to the fact that each Veterans Home has an administrator responsible for its operations. However, all administrators report to the Deputy Secretary for Veterans Homes and there is functional authority between the administrative areas (accounting, personnel, budgets, and information technology) in order to ensure consistency within the Department. In particular the information technology staff are organized in compliance with policies and standards promulgated by the State's Chief Information Officer. Responsibilities have been delineated in all managerial/supervisory duty statements, training is provided as appropriate

(supervisory, computer, continuing education), there is an active process for updating the Department Administrative Manual, and communications are enhanced through the use of standing meetings, enterprise-wide video and teleconferencing, and electronic distribution of important correspondence.

The assignment of authority and responsibility is predicated on the individual's knowledge, skills, and abilities in conjunction with their duty statement. All managerial, supervisory, and lead personnel understand the relationship of their responsibility and corresponding authority that they have with respect to decision making. These relationships are emphasized and reinforced through the Department's recently established Supervisor's Academy as well as the active review and update of the Department Administrative Manual.

The Human Resources Division has established policies and procedures with respect to hiring, training and promotion of employees. There is a partnership between Management and Personnel in the hiring process and adherence to protocols that have been established which has minimized potential hiring and promotion issues. Duty statements and IDPs are mandatory and employees are required to sign off on policies relating to Conflicts of Interest and use of state resources. This helps to ensure adherence and provides a basis for corrective action.

Based on the management's analysis of each of the above control factors, we believe that a positive control environment is in place yielding favorable results. In order to improve our ability to evaluate and to further support a positive control environment, the Department is moving to adopt the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control model for assessing management control systems. COSO is a voluntary private-sector organization dedicated to providing guidance to executive management and governance entities on critical aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting. This model is initially being adopted within our CalVet Home loan program.

### ***Critical Business Functions, Objectives, and Activities***

There are three major divisions within the Department which encompass the Department's critical functions, objectives, and activities summarized below:

#### **CalVet Home Loan Program**

The Department began making low interest rate farm and home loans following the enactment by the California Legislature of the Veterans Farm and Home Purchase Act of 1921. This was followed by the Veterans Farm and Home Purchase Act of 1943, which modified the program to meet new needs of veterans and then the Veterans Farm and Home Purchase Act of 1974.

Since its inception, the goal of the California Veterans Board and CDVA has been to make CalVet the loan of choice for California veterans. The Program has assisted over 417,000 veterans to purchase farms and homes throughout the State as a benefit to recognize their personal sacrifice and service to state and country. Funds used to finance the purchases are through the sale of Revenue Bonds and Veterans General Obligation Bonds, combined with surplus revenues under the Program not needed at any given time to meet debt service (bond retirement schedules) and operating costs.

Program administration is located in Sacramento (Headquarters), California. The Division maintains six CalVet Offices throughout the State. They are located in Bakersfield, Fresno, Redding, Riverside, Sacramento, and San Diego.

The Department finances new and existing single-family homes, farms, condominiums and mobile homes on land owned by the veteran or in rental parks by acquiring property selected by the veteran and reselling the property to the veteran under a land sale contract. Under a Contract of Purchase, the veteran holds an equitable interest, and the Department holds legal title to the property. The Department also provides Home Improvement Loans, Construction Loans and Conditional Commitment (Rehabilitation) Loans.

### **Veterans Services Division**

The Veterans Services Division administers all programs not directly related to Veterans Homes or the CalVet loan program. The division has offices in Sacramento (Headquarters), Oakland, Los Angeles and San Diego, and veteran claims representatives at each of the Veterans Homes of California.

The division administers the following programs:

- Veteran Claims - Collaboratively, with County Veterans Service Offices (CVSO), the division provides assistance to veterans and their dependents in preparing and submitting claims and in representing or assisting claimants in dealing with federal, state and local agencies providing veterans benefits
- Disabled Veteran Business Enterprise Program (DVBE) – State law established a Disabled Veteran Business Enterprise Program in which state agencies have a goal to expend not less than 3% of their annual contracts with DVBE firms. With the establishment of the three percent goal, the Legislature sought to ensure that disabled veteran business owners had an opportunity for full participation in the State's economy while at the same time fostering increased competition in the marketplace.
- Veterans Cemeteries – The Northern California Veterans Cemetery (NCVC) in Shasta County is the first state-owned and operated veterans' cemetery in California. The cemetery serves the veteran population in eighteen Northern California counties and provides sufficient burial space for more than twenty years. Any eligible veteran, along with spouses and eligible dependents, may be interred at the cemetery.
- Vietnam Veterans Memorial Fund – The fund provides maintenance of the Vietnam Veterans Memorial supported by donations from the general public.
- California Veterans Memorial Registry – The division supports the California Veterans Memorial Registry by acting as the point-of-contact for veterans to submit individual biographical data for inclusion in the registry.
- California Memorial Registry – State statute requires CDVA to establish and maintain a registry of veteran memorials throughout the State. The registry currently identifies over 400 veterans' memorials throughout the State and may be accessed at [www.cdva.ca.gov](http://www.cdva.ca.gov).

In addition, the division provides oversight or supports the following state sponsored benefits for veterans and their families:

- College Tuition Fee Waiver

- Property Tax Exemptions
- Disabled Veteran License Plates
- Free License Plates for certain veterans
- Fishing and Hunting Licenses
- Employment and Unemployment Insurance Assistance
- State Parks and Recreation Pass
- Business License, Tax and Fee Waivers

### **State Veterans Homes Division**

California's Veterans Homes provide California veterans with a living environment that protects their dignity and contributes to their feeling of self-reliance and self-worth. The Department operates the Veterans Homes of California in Yountville, Barstow, and Chula Vista. New Veterans Homes in Lancaster, Ventura and West Los Angeles will open in 2010. By 2012, California will develop and build two additional Veterans Homes in Fresno and Redding. This will bring the total number of Veterans Homes in California to eight Homes with a total bed capacity in excess of 2,900.

The Homes provide affordable living and health care for residents. They are certified by the U.S. Department of Veterans Affairs and licensed by the California Department of Public Health and the California Department of Social Services. The Homes offer up to four levels of care; these include, 1) Domiciliary (independent living), 2) Residential Care For the Elderly (assisted living), 3) Intermediate Care and 4) Skilled Nursing Care as appropriate to the resident's needs. This allows continuity for residents who can move from one level of care to another when medically necessary.

Governor Arnold Schwarzenegger, the California State Legislature and the voters of California and the California Department of Veteran Affairs (CDVA), in partnership with the United States Department of Veteran Affairs State Homes Construction Grant Program, have made possible the new California State Veterans Homes. Three of these Homes are in the Greater Los Angeles/Ventura County (GLAVC) area. The Department is building these new Homes (one main campus with two satellite campuses) to expand existing programs and broaden the range of services offered to veterans living in the GLAVC area. These new facilities will provide a continuum of long term care from Residential Care for the Elderly to Skilled Nursing Care, including memory (dementia) care. This will meet the requirements of participating veterans at most stages of functional ability and/or physical or psychiatric diseases. This same continuum of care will expand services and meet the needs of the participating veterans in Lancaster and Ventura. In addition, these two Homes will be the first Veterans Homes in the state to provide private rooms for every resident

## **WORKFORCE PLANNING**

California state government is about to experience its largest wave of retiring state employees in its history. According to the State Personnel Board, 34 percent of state employees will be eligible to retire in the next 5 years, and California State Auditor states that the average age of



retirement for employees in leadership and rank-and-file positions has been around 60 years of age. CDVA is undertaking workforce planning efforts to address this imminent loss of critical human capital through a workforce and succession planning effort that includes:

- Investigating personnel data to analyze the department's future workforce;
- Making an assessment of staffing and their competencies;
- Identifying gaps in competencies; and
- Improving staff competencies through training and deployment of the Supervisor Academy;

Supervisor Academy is the in-house training which focuses on developing hard and soft skills that each employee (leadership or rank-and-file) must acquire in order to accomplish the department goal and mission in a supervisory role. In addition, we use the data from our Human Resource division to generate age comparison graphs below. Figure 1 and 2 focus on age comparisons of CDVA employees in leadership and rank-and-file positions as of 2007 and 2009. The graphs show that most employees who were in leadership or rank-and-file positions for the year 2007 and 2009 were between the age group of 50-54; the graphs show the age distributions for both positions are shifted to the right. This demonstrates that CDVA is experiencing an aging workforce similar to that seen in State government as a whole.

As a result, it is imperative for CDVA to continue its workforce planning as that process provides guidelines for controlling and managing the wave of retirements expected within the next five to ten years. Of concern is that recent layoffs generally displace the most junior staff which exacerbates the problem and reverses any progress the department as made to correct the succession problem. CDVA cannot afford any cuts in employees for any divisions because the risks associated with a large loss of experienced employees could threaten the ability of CDVA to deliver critical services to veterans.

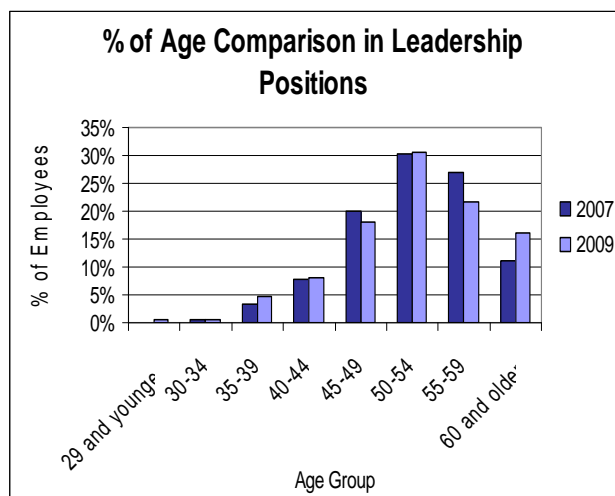


Figure 1

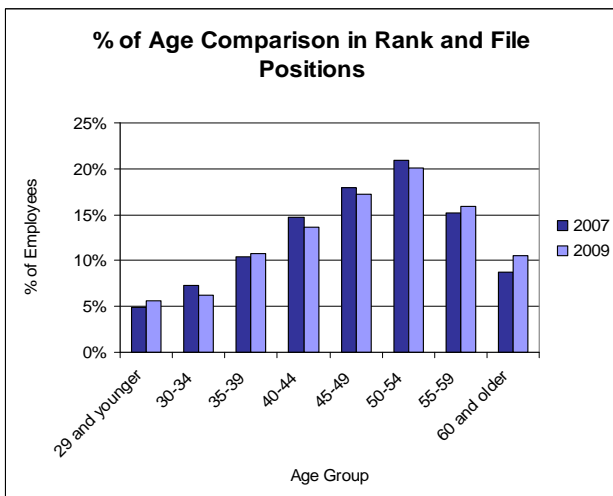


Figure 2

## **MANAGEMENT CONTROLS AND RISK ASSESSMENT:**

### ***How the Department Performed the Assessment***

In an effort to get an accurate assessment of the "adequacy of (CDVA) systems of internal accounting and administrative control" the Department undertook a multi-phase review to include: 1) self-assessment questionnaires, reviews, and narratives by program and administrative areas; 2) assessment of prior audits; 3) a survey of recent management reviews; and, 4) an assessment of risks to our programs. The review was designed to take a high level examination of the current state of management controls as of the end of calendar year 2009 in terms of correcting previously identified problems and mitigating potential future problems (risks) in our program execution. This review was designed to provide executive management with a tool to decide where attention should be focused to ensure the Department is carrying out its mission in a fiscally and operationally sound manner. The detailed instructions used to conduct the review are reported in Appendix A.

### ***Focus of Review***

The focus of the review was to involve each administrative and operational Deputy Secretary or support Division Assistant Deputy Secretary in a thorough self-assessment of their respective area, culminating in a detailed analysis of each perceived risk. Although program areas are typically addressed, support areas such as the Legislative, Public Affairs, Legal, and Equal Opportunity Offices were included in the assessment as they may recognize or work on issues resulting from programmatic risks.

### ***External Audits Performed and Outstanding Recommendations***

The audit report *Veterans Home of California at Yountville: It Needs Stronger Planning and Oversight in Key Operational Areas, and Some Processes for Resolving Complaints Need Improvement* (Report 2007- 121) reviews the difficulty of filling vacant positions, especially nursing in recent years because of low salaries with high costs of housing in the community and inefficiencies in the Veterans Home's recruitment program. These problems were challenging and contributing to the difficulty to retain staff in the home. In addition, the report states the substantial amount of overtime that staff has to work in order to meet the Home and hospital guidelines for providing care, which includes the compliance with Americans with Disabilities Act (ADA) and oversight of the medical equipment maintenance contract.

The audit report *California Department of Veterans Affairs: Although It Has Begun To Increase Its Outreach Efforts and to Coordinate With Others, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address The Housing Needs of Some Veterans* (Report 2009-108) states that the department provides direct services outside of its veterans homes and CalVet Home Loan program (CalVet program) to address issues California's veterans face such as homelessness and mental illness. In addition to the outside services, the Veterans Services division has recently shifted the attention from focusing primarily

on increasing awareness among veterans about available services and benefits to working with different agencies that assist in increasing veterans' participation in federal disability benefits (Compensation and Pension benefits) and other available services. Finally, the report reviews the department's strategic planning covering fiscal years 2007-08 through 2011-12.

The Department is implementing the audit recommendations and the status of the department's efforts can be found at Appendix D.

### ***Survey of Prior Management Studies***

The Department conducted a department-wide survey of any management studies assessing management controls or operational effectiveness conducted, or with reports dated, between January 1, 2007 and December 31, 2009. Management "studies" were defined to include any audits, studies, assist visits, licensing surveys, management reviews, reports, etc. Program staff identified 48 internal and external studies meeting the established criteria including:

- Federal and state licensing agencies;

Many agencies performed management control type studies on CDVA facilities. Studies conclude that the facilities have the State Fire Marshall's certificate of compliance with the safety code. Studies also ensure that the personal privacy of residents—including accommodations, medical treatment, written and telephone communications, personal care, visiting, and meeting with family and resident groups—is protected and respected. The studies showed that the facilities established a sufficient and knowledgeable clinical staff to provide and implement nursing care, rehabilitation, social services, dietary services, patient activities, pharmacy, medical records, and written hospital and administrative policies and procedures for the facilities. The facilities maintain the integrity of the building construction to provide health and safety environments to each resident in a full recognition of his or her individuality.

- External and internal management reviews;

These studies found the resident's belongings and other equipment were maintained in sanitary, orderly manner, with a comfortable interior to prevent injury. In addition to the review, the food preparation method must conserve nutritive value, flavor, appearance, sanitary conditions, and be at the proper temperature. Providing the necessary care and services to attain or maintain the highest practical physical, mental, and psychosocial well-being of residents, in accordance with the comprehensive assessment and plan of care.

This general group included the independent auditor's report on internal controls over financial reporting, assessing the accounting principles used, and significant estimates made by management and found those in compliance with state and federal laws and regulations for both of the fiscal years reviewed in this time period. Other studies reported on the Health Insurance Portability and Accountability Act (HIPAA) annual implementation progress report. The operation plan for HIPAA is to continue the major scope of its responsibilities to achieve full compliance, development, and implementation of the Department's.

- Local oversight or coordinating agencies;

The construction services sections were tasked to review and test the existing facility construction elements such as utility penetrations, fires/smoke walls, ceilings, fire and life safety systems, and ADA accessibility to ensure the health and safety of residents, personnel, visitors, and public. Studies also reviewed the establishment and maintenance of an infection control program designed to provide a safe, sanitary, and comfortable environment and to help prevent the development and transition of disease and infection as well as the safe practice and use of prescription drugs.

- Evaluations and Reviews;

Facilities were inspected and reviewed on different aspects of their use in areas such as patient care services, building construction, medical records, demonstration of knowledge, health and hygiene practices, preventing and protecting contamination, time and temperature relationships, liquid waste disposal, and vermin control. Further, the evaluations were reviewed and detailed plans and procedures were written to meet all potential emergencies and disasters, such as fire, severe weather, and missing residents to ensure their safety.

This body of work represents the on-going efforts of the Department to assess the effectiveness of its management controls. A detailed listing of all the management studies conducted in the last two years can be found in Appendix B.

### ***Program Risk Assessment***

The Department next identified major projects, operational changes, or changes driven by external sources, currently under way or proposed in the next twelve months, including any incomplete corrective actions identified in the “Survey of Prior Studies.” The programs assessed the level of risk to departmental operations through a structured risk assessment process. The assessment was defined to be at a fairly high level which combined any multiple, specific risks into a single statement of overall project risk or risk to particular aspect of program execution.

Risk assessment was based on a subjective evaluation of: a) the probability of an adverse outcome in project implementation, program execution, or through external influences on programs; b) the impact any adverse outcome might have on existing or new programs and/or project implementation; c) the timeframe in which an adverse outcome might occur. These factors were then used to determine risk exposure and risk severity through a structured matrix evaluation process.

Program staff identified 26 reports in high risk, 27 reports in medium risk, and 5 reports in low risk specific projects or program areas meeting the established criteria and evaluated the inherent risk associated with those projects/programs. Additionally they identified appropriate strategies (and associated action items) to address those risks including:

- Research* – Conduct additional research into the causes, apparent risk, and potential mitigation of the identified risks;
- Accept* – The identified risk(s) is acceptable without any further action;
- Mitigate* – Action is required to reduce (mitigate) either the causes of the risk itself or the potential impact;

- d) *Watch* – No immediate action is required, however, the risk assessment should be reviewed periodically to identify any significant changes.

## **EVALUATION OF RISKS AND CONTROLS:**

Using the results of the management controls and risk assessment process, executive management reviewed responses to the control questionnaire (Appendix C) distributed to all administrative and operational areas and their general analysis of their operations and internal controls. Executive management then reviewed all of the prior and newly submitted Risk Management Forms with a risk severity of “High” to evaluate if the risk management strategy and actions were sufficient. Additionally, executive management evaluated the risk assessments to determine if any resulted in material weakness in the Department’s system of internal accounting and administrative control. Finally, the executive management team identified appropriate follow-on management reviews.

### ***Material Weaknesses***

None of the risk assessments and study findings were evaluated as resulting in material inadequacy or material weakness in the Department’s system of internal accounting and administrative control that would prevent the Secretary from stating that the Department substantially complies with the intent of the FISMA.

### ***Risks Facing the Department***

The executive management team identified program areas that carry a level of risk such that they require continued monitoring by the executive management team. None of these were evaluated as material findings. The review highlighted some areas for continued diligence and oversight by executive management, but did not identify any additional high-risk activities not already being tracked and monitored by executive management. The Department has existing forums to provide semi-weekly or monthly oversight of program risks. These forums include direct involvement of the Secretary or the responsible program Deputy Secretary as appropriate for the level of program risk involved.

Major risks facing the Department, and the actions undertaken to ameliorate these risks are:

- Activation of the Greater Los Angeles and Ventura County Veterans Home. This ongoing risk includes the activation of three new veterans’ homes in Lancaster, Ventura, and West Los Angeles. The risk relates to the detailed coordination of construction, staffing, support services and equipment necessary to ensure a timely activation. *Mitigation:* The Secretary chairs a monthly meeting with executive staff and project team members to track major milestones, and to identify and correct issues with the activation of these Homes. Additionally in mid-year 2008, the Department established a weekly working group meeting to facilitate the address any emergent issues or barriers to the successful activation.
- Enterprise-wide Veterans Home Information System (EwVHIS) Information Technology Project. This IT project develops and fields a new veteran’s home information system to replace its aging information system. Risks are typical of those normally associated with the deployment of an enterprise-wide information system coupled with an aggressive timeline to provide deployment in time for the opening of the next three veteran homes being built, concurrently with deployment and testing at our existing homes. *Mitigation:* The Department is implementing this project in compliance with the Statewide Information

- Construction and Activation of the Veteran Homes of California at Fresno and Redding. These two separate projects are being reported together as their construction and activation are on virtually the same schedule and undergoing the same processes. Both are being constructed using a design-build process as opposed to the design-bid-build process typically used by the Department. The risk relates to the Department's recent experience with initiating the design-build process and the significant loss of time as a result of our inexperience in getting the projects through the request for proposal/design competition process. Additionally significant risk is normally associated with the activation of any new Home but the activation of these two Homes could be exacerbated by the Department lack of experience in design-build through the construction phases. *Mitigation:* The Department has implemented a new Capital Assets and Facilities Management Division which is providing more detailed, and experienced, leadership to these two construction projects. This alone has established a much greater level of coordination with the Department of General Services than any previous construction effort. The Department is also activating the Administrator positions and other key staff positions at a much earlier time than in our past veteran home construction projects. This early activation of leadership, coupled with the ongoing activation of GLAVC provides the Fresno and Redding leadership team unique opportunities to experience and learn first hand how to avoid activation issues currently being experienced by GLAVC.
- CalVet Loan Program Internal Controls: Risk Management. Lacking a clear Risk Management / Risk mitigation process would place CalVet in an unnecessarily risky position. By defining, developing and maintaining a Risk Management plan we will provide CalVet with the tools to prevent known and unknown inherent risks from effecting our lending organization. Mortgage lending requires workflow processes that create a product that is legal, equitable, well informed and reflects sound, experienced judgment. Poor lending procedures and decisions could potentially cause loss of revenue, pressure on staff and resources, damage to reputation and reduction of programs. Current IT systems within the Farm and Home Division lack real-time technologies causing inadequacies in service-levels, tracking abilities, staff training, and other business requirements. An inadequate IT system could severely impact CalVet's ability to maintain guaranty and rating agencies approvals resulting in lack of funding, disruption to our operations, production output and damage our reputation. Also loans may not conform to new laws without proper updates and system controls. *Mitigation:*
  - We will research, test and implement loan processing systems with CalVet's unique requirements in mind.
  - The Division is implementing a Compliance Department with a specific target function of ensuring CalVet's risk management plan is implemented and monitored.

- CalVet is currently working to change Military and Veterans Code and Title 12 to allow flexibility to change policies and procedures to respond to industry changes. CalVet continues to look for ways to expand the home loan program through the FHA loan program and other sources of funding while we continue the expansion of the Quality Control Unit as required for FHA approval.
- The Department is working within the State Information Technology Project Oversight framework to manage and to mitigate individual risks, monitor information sharing, pursue request for information, equip managers and staff, and monitor gains in efficiencies through processes boosted by technology.
- The Division is in the process of researching and updating desk procedures to reflect modern lending laws, procedures and practices including updating origination and servicing software to include a decision engine. The Division is also identifying critical decision points throughout the loan origination and servicing processes, to establish and monitor checks and balances. Once budgetary constraints allow the Division will purchase and install a paperless document system to simplify audit process.

## **CONCLUSION:**

The review identified no material inadequacy or material weakness in the Department's systems of internal accounting and administrative control that prevent the Secretary from stating that the Department substantially complies with the intent of FISMA. However, the review conducted by the Department for the biennial period ending December 31, 2009 was very informative in evaluating internal and management controls, and identifying potential risks to program execution. The review highlighted some high risk areas for continued diligence and oversight by executive management.

## **Appendices**



## **Appendix A**

### **Assessment Process Instructions**

#### **Task I**

##### *Prior Internal Control Audit Findings*

Update status on prior risk assessments made during Internal Control Review from the biennial period ending 2009.

#### **Task II**

##### *Survey of Prior Studies*

Conduct a department-wide survey of any studies (to include: audits, studies, assist visits, licensing surveys, management reviews, reports, etc) assessing management controls or operational effectiveness conducted, or with reports dated, between January 1, 2008 and December 31, 2009. See attached list of examples of studies that should be reported. Submit using structured template titled “Program Studies Survey.”

#### **Task III**

##### *Operational Risk Assessments*

Identify major projects, operational changes, or changes from external sources, currently under way or proposed in the next twelve months. Include any incomplete corrective actions identified in the “Survey of Prior Studies.” Assess the level of risk to departmental operations through a structured risk assessment and management process. This assessment should be at a fairly high level (combine any multiple, specific risks into a statement of overall project risk). See attached list of potential projects/programs that need assessment. Submit your assessment using structured template titled “Risk Management Form.”

Process – Using the attached Risk Management Form:

1. Identify and describe known and anticipated changes in program operations or projects under implementation. Major changes or projects should be identified separately. Each division should include, at a minimum, an overall assessment of inherent risks to their program.
2. For each major change, project, or program, identify risks associated with program execution, programmatic changes or project implementation. Develop a statement of overall project risk that is based upon the cumulative impact of the specific risks involved in project/program implementation.
3. Assess the probability of an adverse outcome in project implementation, program execution or through external influences on department programs as a result of the identified risks.

### Probability Rating

*High, Medium, Low*

Risks considered as almost certain or very likely to occur should be rated High. Risks that may occur or have a 50/50 chance of occurring should be rated Medium. Risks considered unlikely to occur or that will probably not occur should be rated Low.

4. Assess the impact any adverse outcome might have on existing or new programs and/or project implementation.

### Impact Rating

*High, Medium, Low*

If the risk represents a significant negative impact on budget, schedule, or quality, it should be rated High. Material impacts would significantly affect users, clients, or other key stakeholders, and should be rated Medium. If the risk does not represent a significant or material impact on budget, schedule or quality it should be rated Low.

5. Assess timeframe in which any adverse outcome might occur.

### Time Frame

*Long, Medium, Short*

The time frame within which action must be taken in order to successfully mitigate the risk should be rated. If the time frame is less than six months, assign a rating of Short; for six months to one year assign a rating of Medium; and for greater than one year, assign a rating of Long.

6. Determine the risk exposure to the program/project using a structured matrix.

### Risk Exposure Determination Matrix

		<i>Probability</i>		
		<i>High</i>	<i>Medium</i>	<i>Low</i>
<b>Impact</b>	<i>High</i>	High	High	Medium
	<i>Medium</i>	High	Medium	Low
	<i>Low</i>	Medium	Low	Low

7. Determine the risk severity to the program/project using a structured matrix.

*Risk Severity Determination Matrix*

	<i>Exposure</i>			
		<i>High</i>	<i>Medium</i>	<i>Low</i>
	<i>Time</i>			
	<i>Frame</i>			
	<i>Short</i>	High	High	Medium
	<i>Medium</i>	High	Medium	Low
	<i>Long</i>	Medium	Low	Low

8. Determine an appropriate strategy to manage the identified risks.

*Research* – Conduct additional research into the causes, apparent risk, and potential mitigation of the identified risks. An update to the risk assessment should be submitted when the research is completed. Identify areas of research and expected completion date under “Action Items.”

*Accept* – The identified risk(s) is acceptable without any further action.

*Mitigate* – Action is required to reduce (mitigate) either the causes of the risk itself or the potential impact. Identify action items that will mitigate the risk under “Action Items.”

*Watch* – No immediate action is required, however, the risk assessment should be reviewed periodically to identify any significant changes. Identify a timeline for future review under “Action Items.”

9. Identify appropriate actions to implement the risk management strategy.

#### **Task IV Executive Prioritization**

Using the results of the operational risk assessment process:

1. Review all Risk Management Forms with a risk severity of “High.”
2. Evaluate if risk management strategy and actions are sufficient.
3. Prioritize risks to the Department.
4. Determine appropriate follow-on management reviews.

## **Task V Report Writing**

Report per FISMA instructions on results of operational risk assessment process.

### **Examples of Ongoing Projects, Program Changes & External Influences** *Which may be worthy of a Risk Assessment*

#### *Homes Division*

- Construction of GLAVC
- Activation of GLAVC
- Establishing new level of care (ADHC)
- Construction of Fresno & Redding
- Activation of Fresno & Redding
- Barstow SNF expansion/Nursing Staff
- Chula Vista census reduction
- Reimbursement Barrier/Outside Medical

#### *Administrative Services Division*

- COOP/COG
- IT Refresh Project
- Fiscal Operations Corrective Action Plan
- Internal Control Function/FISMA Mandate

#### *Veteran Services Division*

- Prop 63 Implementation
- VRMS
- CVSO Case Management Automation
- CCCVC Implementation
- Columbarium Construction Grant – NCVC
- Federal Grant Implementation(s)

#### *Farm and Home*

- FHA Implementation
- Control of Fiscal Losses

#### *Executive*

- Web Content
- Communication Strategies
- EwVHIS Project

Each Division should submit an overall assessment of risks in the execution of their program.

## **Examples of Recent Studies**

### *Homes Division*

- DHS/CDPH/USDVA/DSS Licensing Surveys
- HIPPA Assessments
- MWR Annual Financial Statement Audits
- BSA/JLAC Audit of Yountville
- OSHA/OSHPD/County/SFM Site Inspections
- Medicare/MediCal/CMS Certifications

### *Farm and Home Division*

- Annual financial statement audits
- BSA Single Audit of Federally funded programs
- Management Controls Review
- FHA/USDVA Visits/Audits

### *Veterans Services Division*

- Semi-annual audit of CVSO workload reporting
- USDVA Site Visit NCVC
- BSA Audit

### *Administrative Services Division*

- 5 Year Capital Outlay Plan
- 5 Year IT Plan
- Biennial Language Survey
- Succession Planning/Workforce Development

### *Executive*

- Strategic Plan
- EEO/Disability Annual Reports

## Appendix B Survey Reports

<b>Title</b>	<b>Responsible Division/Office</b>
BSA Audit Report 2009-109	Headquarter
Cemetery Triennial Review Report	Headquarter
Annual Workforce Analysis: Employment Goals for persons with Disabilities	Equal Employment Office
HIPPA Annual Progress Report	Veterans Homes Division
Veterans Home Building Fund of 1943: Financial Statements for the Years Ended	Farm & Home Division
Veterans Debenture Revenue Fund: Financial Statements for the years ended and independent Auditor's Report	Farm & Home Division
State Home Inspection Survey 2009 August	VHC-Yountville
Financial Statement with Independent auditor's Report	VHC-Yountville
BSA Audit Report 2007-121 (Planning and oversight in Key Operation Area	VHC-Yountville
State Fire Marshal: Fire & Life Safety Inspection 2008 Mar.	VHC-Yountville
Facility Evaluation Report- 2009 July	VHC-Yountville
State Home Inspection Standards- Domiciliary	VHC-Yountville
Napa County Department of Environmental Management CUPA Inspection Report	VHC-Yountville
State Home Inspection: Nursing Home Care	VHC-Yountville
California State Board of Pharmacy	VHC-Yountville
State Home Inspection: Nursing Home care	VHC-Yountville
Department of Health and Human Services: Statement of Deficiencies and Plan of Correction- SNF	VHC-Yountville
Department of Health and Human Services: Statement of Deficiencies and Plan of Correction- SNF & Life Safety	VHC-Yountville
USDVA Standard Inspection- Domiciliary	VHC-Yountville
Facility Evaluation Report- 2008 August	VHC-Yountville
USDVA Standard Inspection- Nursing Home	VHC-Yountville
Department of Health and Human Services: Statement of Deficiencies and Plan of Correction- Nursing Home	VHC-Yountville
Department of Health and Human Services: Statement of Deficiencies and Plan of Correction- Re-certification Survey	VHC-Chula Vista
State Fire Marshal: Fire and Safety Correction Notice	VHC-Chula Vista
VA San Diego Healthcare system: Domiciliary and SNF	VHC-Chula Vista
Annual Financial Report for the Fiscal Year Ended	VHC-Chula Vista
Department of Health and Human Services: Statement of Deficiencies and Plan of Correction- Life Safety Survey 2009 September.	VHC-Chula Vista

## APPENDIX B

<b>Title</b>	<b>Responsible Division/Office</b>
Department of Health and Human Services: Statement of Deficiencies and Plan of Correction- Life Safety Survey 2009 August.	VHC-Chula Vista
Department of Health and Human Services: Statement of Deficiencies and Plan of Correction- Life Safety Survey 2009 July.	VHC-Chula Vista
Facility Evaluation Report	VHC- Chula Vista
Department of Public Health- SNF Survey	VHC- Chula Vista
Department of Health and Human Service: Statement of Deficiencies and Plan of Correction- Life Safety Code	VHC- Chula Vista
Annual For Financial Report for the Fiscal Year Ended	VHC- Barstow
USDVA: Corrective Action Plans 2009 June	VHC- Barstow
Department of Health and Human Service: Statement of Deficiencies and Plan of Correction- SNF Re-Certification Survey 2009 May	VHC- Barstow
Department of Health and Human Service: Statement of Deficiencies and Plan of Correction- SNF & Life Safety 2009 May	VHC- Barstow
USDVA: Corrective Action Plans 2008 November	VHC- Barstow
Department of General Services: SNF Bldg Code Review	VHC- Barstow
Department of Health and Human Service: Statement of Deficiencies and Plan of Correction- SNF & Life Safety Survey 2008 April	VHC- Barstow
Triennial Review Report	Veterans Services Division

## **Management Control Review Control Environment Questions**

1. From management's perspective, what needs to be improved in your division?
2. If you had to prepare a transition paper for a new administration or Secretary, what are the top issues you would present?
3. What adverse impact could those issues have on your program? How likely is it that those adverse impacts could happen?
4. Are there any risks in the foreseeable future? Include external environment as well as internal, including budgetary issues and key person dependency.
5. Think about your major goals, objectives, and critical functions. What could go wrong in meeting each of them?
6. How could your division fail?
7. What must go right for you to succeed and complete your mission?
8. Does your division have liquid assets or assets with alternative uses?
9. How could someone steal from your division—money, equipment, supplies, business?
10. Are your policies on acceptable business practices, conflicts of interest, and codes of conduct up to date and adequate to address improprieties, or theft?
11. How do you know that your division is achieving its objectives? What metrics do you use?
12. On what information do you most rely?
13. On what does your division spend the most money?
14. What decisions require the most judgment or are the most critical? How are those decisions made?
15. How do you know you are collecting all of your revenue or accounts receivable?
16. What is your division's greatest legal exposure?
17. How could your division lose credibility with control agencies, the Legislature, the public?



18. Do you have updated written policies and procedures (desk procedures) for all major duties?
19. What are the most critical records or data files in your division? How is access controlled?
20. What would be the impact if the data was lost or destroyed? How likely is it that they could be lost or destroyed?
21. What would be the impact if you could not access this building for two weeks because of a fire, flood, or chemical spill?
22. How could your operations be disrupted?
23. Is there any potential for individuals within your division or the agency to obtain financial or other benefits on the basis of decisions made or actions taken in an official capacity or due to a lack of appropriate internal controls or segregation of duties?
24. How do you ensure that your division's performance measures are being met and that you remain within your budget allocations?
25. How do you ensure that unusual or exceptional situations are being handled appropriately and are exception reports being generated and reviewed on an ongoing basis?
26. How do you ensure that your staff is adequately trained and apprised of changes in relevant laws, regulations, and procedures?
27. What processes or issues within your division or the agency as a whole are causing slowdowns in your division?
28. Have your employees been trained on the appropriate response/forwarding action when complaints are received or requests for departmental information are received outside the normal scope of business?

**DEPARTMENT OF VETERANS AFFAIRS**

POST OFFICE BOX 942895  
SACRAMENTO, CALIFORNIA 94295-0001  
Telephone: (916) 653-2158



November 12, 2009

Wesley Opp  
Bureau of State Audits  
555 Capitol Mall, Suite 300  
Sacramento, California 95814

Dear Mr. Opp:

In response to the letter from the State Auditor of October 29, 2009, the Veterans Home of California – Yountville is continuing to implement the final two recommendations made by your agency's audit, Department of Veterans Affairs, 2007-121 April 2008 as detailed in the two attached "Update On Recommendation That Is Not Fully Implemented." Both recommendations will be fully implemented within 90 days.

As detailed in the Department's previous progress reports, the Yountville Home has made steady progress on implementing all recommendations since completion of the audit. Resource constraints and staffing considerations due to State-mandated furloughs have resulted in these two recommendations taking longer than anticipated.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Brautigan".

ROGER BRAUTIGAN  
Secretary

Enclosures

cc: Senate Budget and Fiscal Review Committee, State Capital Room 5019  
Senate Veterans Affairs Committee, 1020 N Street, Room 251  
Assembly Budget Committee, State Capital Room 6026  
Assembly Veterans Affairs Committee, 1020 N Street, Room 389  
Director, Department of Finance, State Capital Room 1145  
Jack Kirwan, Deputy Secretary for Administration  
Stan Oppegard, Deputy Secretary for Homes  
Marcella McCormack, Administrator, Veterans Home of California – Yountville

HONORING CALIFORNIA'S VETERANS

### **Update on Recommendation That Is Not Fully Implemented**

Please complete a separate "Update on Recommendation That Is Not Fully Implemented" form for each recommendation.

**Department Name:** Department of Veterans Affairs

**Report Number:** 2007-121, April 2008

- 1) Which recommendation is addressed on this form? Please identify the specific recommendation number noted in the State Auditor's letter. Recommendation No. 1: To prevent its nursing staff from working excessive overtime, the Veterans Home should consider adopting a formal policy for distributing overtime more evenly among nurses, establishing a cap on how much overtime nursing staff may work, and monitoring overtime usage for compliance with these policies.
- 2) Has your agency fully implemented the recommendation? No  
If **Yes**, answer **only** questions 3 and 4 below.  
If **No**, answer **only** question 5 and other questions, as directed in question 5.
- 3) By what date did your agency fully implement this recommendation? N/A
- 4) Explain how your agency has fully implemented the recommendation. Please also provide copies of any supporting documents or other evidence including, but not limited to, documents referenced in your explanation. N/A
- 5) Does your agency intend to begin or continue implementing the recommendation within 90 days? Yes  
If **Yes**, answer **only** questions 6 and 7 below.  
If **No**, answer **only** question 8 below.
- 6) By what date will your agency fully implement the recommendation? January 30, 2010
- 7) Please describe your agency's plan for implementing the recommendation.

The Yountville Veterans Home has developed a plan to fully implement this recommendation, and the basic unit-based staffing program was implemented effective May, 2009.

It has taken longer than anticipated to complete all aspects of our planned correction due to impact of mandated furlough days and limited training resources. The attached policy details the new procedure, and the attached spreadsheet demonstrates the results of ongoing tracking of Nursing overtime by the Fiscal officer, as required.

- 8) Provide your agency's reason(s) for not fully implementing the recommendation. N/A  
(10/09)

### **Update on Recommendation That Is Not Fully Implemented**

Please complete a separate "Update on Recommendation That Is Not Fully Implemented" form for each recommendation.

**Department Name:** Department of Veterans Affairs

**Report Number:** 2007-121, April 2008

- 9) Which recommendation is addressed on this form? Please identify the specific recommendation number noted in the State Auditor's letter. Recommendation No. 2: To meet the requirements of Federal ADA regulations, the Veterans Home should develop and update as needed a plan that identifies areas of noncompliance and includes the appropriate steps and milestones for achieving full compliance. In addition, the Veterans Home should develop grievance procedures and identify a specific employee as its ADA coordinator.
- 10) Has your agency fully implemented the recommendation? No  
If **Yes**, answer **only** questions 3 and 4 below.  
If **No**, answer **only** question 5 and other questions, as directed in question 5.
- 11) By what date did your agency fully implement this recommendation? N/A
- 12) Explain how your agency has fully implemented the recommendation. Please also provide copies of any supporting documents or other evidence including, but not limited to, documents referenced in your explanation. N/A
- 13) Does your agency intend to begin or continue implementing the recommendation within 90 days? Yes  
If **Yes**, answer **only** questions 6 and 7 below.  
If **No**, answer **only** question 8 below.
- 14) By what date will your agency fully implement the recommendation? January 30, 2010
- 15) Please describe your agency's plan for implementing the recommendation.

The Yountville Veterans Home has developed a plan to fully implement this recommendation, as indicated in previous reports. All aspects of the plan have been completed with the exception of the Americans with Disabilities Act (ADA) survey of the facility, which was contracted with the Department of General Services (DGS) Office of Real Estate and Design Professional Services Branch. As of October 28, 2009, DGS has completed their survey of all but seven buildings and has begun documentation of their findings. DGS anticipates completing this survey by January 30, 2010. An earlier completion date was originally projected, however the State-mandated furlough days have impacted the staffing required completing the project. When completed, this report will provide the basis of the plan to bring the entire 500-acre Veterans Home campus up to ADA standards, fully implementing this audit recommendation. As reported previously the Homes Deputy Administrator was assigned as ADA coordinator and a Grievance Policy was completed and approved by the Homes Governing Body.

16) Provide your agency's reason(s) for not fully implementing the recommendation.

N/A

(10/09)

VETERANS HOME OF CALIFORNIA  
YOUNTVILLE, CALIFORNIA  
NURSING SERVICE

**VOLUNTARY OVERTIME POLICY AND PROCEDURE**

**POLICY:**

It is the policy of the Veterans Home Nursing Service to promote optimal care for all residents/patients by maintaining authorized nursing staff levels and to establish a staffing sequence that will accomplish the following: Maximize responsibility for staffing, minimize impact of overtime on LOC nursing employees, minimize disruption to employees by enhancing ability to schedule their overtime, equalize distribution of overtime. The goal of the Veterans Home is to reduce, if not eliminate, the need for all mandatory overtime. Bargaining contracts will supersede this policy if conflict arises.

1. The Director of Nursing Services or the designee authorizes and monitors the use of overtime within Nursing Service.
2. No employee will work more than two (2) consecutive shifts (i.e., 16 hours) and/or not work more than 8 overtime shifts per month, unless necessary to meet the operational needs of the facility and only with approval from the Director of Nursing Services or designee.
3. An employee may volunteer to work more than one 16 hour shift within a 48 hour period with approval from the Director of Nursing Services or designee. Approved requests may be revoked at any time if it is determined that the employee is working overtime to the extent that it is having an adverse impact upon his/her performance or the safety of the residents.
4. Overtime will be assigned in compliance with respective bargaining unit agreements.
5. Limited/light-duty staff will not work overtime unless it is authorized within their restrictions.
6. An employee in the 20/20 program may work voluntary overtime.
7. Permanent intermittent employees (PIEs) will be allowed to work overtime if their available hours permit them to work. (PIEs are only permitted to work 1500 hours in a calendar year, with the intent that the work hours are to be distributed over a 12 month period).
8. Voluntary overtime will be assigned to the unit that has the need. Voluntary overtime requests will be granted on a rotational basis by state seniority to ensure an equitable volunteer overtime opportunity to all staff. The exception to this would be if the

9. Once an employee has signed up for a voluntary overtime shift, it is their responsibility to work that shift, unless they have given the Director of Nursing Services or the designee, 72 hours notice to enable the timely scheduling of a replacement.
10. Employees who have signed up for a voluntary overtime shift must call and confirm that the overtime shift has not been changed or is still needed.
11. If the overtime shift is no longer needed and no alternative assignment is available, the employee will be sent home.

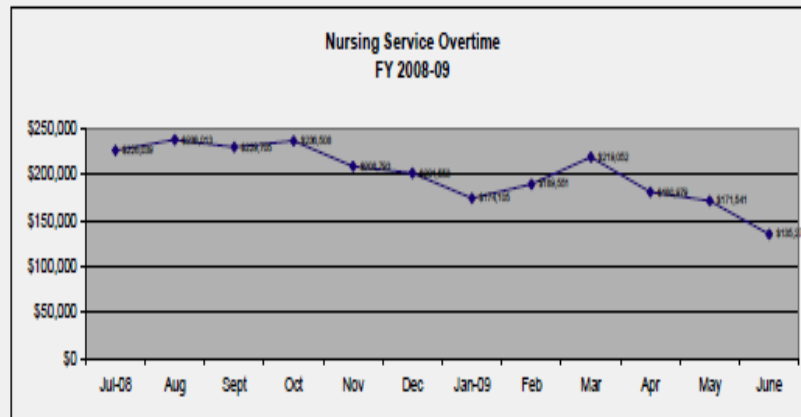
### **PROCEDURE**

#### **VOLUNTARY OVERTIME SCHEDULING**

- A. A Voluntary Overtime list shall be established by classification in seniority order. The seniority shall be based on total months of total state service.
- B. The Nursing Office will post the available overtime shifts for the next month (i.e., October) by the 5<sup>th</sup> of the prior month (i.e., September). These calendars **will be posted directly outside Nursing Administration**. Employees may sign up on the posted calendars for any overtime shifts they are volunteering to work.
- C. To ensure equitable volunteer overtime opportunities for all staff, employees shall be provided an opportunity to choose a voluntary overtime slot once. Thereafter, all other employees will be provided the same volunteer overtime opportunity once, assuring each employee is provided an opportunity to sign up before returning to the most senior employee and beginning the process again. (i.e., the rotation will again start at the top of the seniority list and work its way down.)
- D. Overtime shifts will be offered to level of care staff prior to non-level of care staff. When multiple requests in the same month are received from the same individual, approval will be rotated by seniority to ensure an equitable distribution.
- E. The calendars will be taken down by close of business on the 15<sup>th</sup> of the month for processing and notification of employees. After the calendars have been processed the remaining available voluntary overtime shifts will be granted on a first come, first serve basis.

Veterans Home of California, Yountville  
Analysis of Overtime (Blanket 930)  
For FY 2008-09

Payroll Unit #	Description	(Sep 1) July Pay Period	(Oct 1) Aug Pay Period	(Nov 1) Sep Pay Period	(Dec 1) Oct Pay Period	(Jan 1) Nov Pay Period	(Feb 1) Dec Pay Period	(Mar 1) Jan Pay Period	(Apr 1) Feb Pay Period	(May 1) Mar Pay Period	(Jun 1) Apr Pay Period	(Jul 1) May Pay Period	(Aug 1) Jun Pay Period	YTD	Budget	%
310	Nursing Administration	1,386	1,790	3,382	1,887	1,289	2,573	3,392	1,809	4,097	2,066			23,671	16,000	147.9%
321	Acute	8,518	9,198	9,768	9,988	9,576	7,436	7,871	9,713	9,785	9,500			91,353	124,000	73.7%
322	SNF	133,655	145,848	128,434	134,695	115,068	116,261	97,896	106,477	122,368	100,933	219		1,201,854	1,414,700	85.0%
323	Intermediate Acute	6,792	6,909	3,344	5,470	7,247	5,823	4,291	3,335	6,086	2,420			51,717	85,000	60.8%
325	Surgery	7,468	6,779	9,846	7,654	7,755	6,260	7,765	7,880	8,081	8,705			78,193	95,000	82.3%
328	EKG	0	368	959	475	149	271	395	578	726				3,941		
330	Nursing Ward 2B	12,400	12,559	17,314	15,273	15,935	16,696	15,202	11,203	17,005	9,087	4,081		146,755	142,000	103.3%
331	Annexes/ICF	32,489	34,126	37,589	44,183	34,177	30,811	24,384	29,944	32,636	30,990			331,329	360,000	92.0%
345	Ambulatory Care Clinic	17,700	13,940	14,875	13,958	14,997	11,865	10,121	12,683	12,249	12,914			135,302	173,000	78.2%
350	Nursing Float	5,631	6,476	4,194	2,925	2,600	3,557	2,788	5,929	6,019	4,364			44,483	59,000	75.4%
600	Acute - 1S											4,218	5,155	9,373		
601	SNF - 1N											13,719	13,259	26,978		
602	SNF - 1B											3,481	3,215	6,696		
603	SNF - 1C											1,225	2,268	3,493		
604	SNF - 1D											7,482	7,798	15,280		
605	SNF - 2B											2,553	3,342	5,895		
606	SNF - 2C											1,563	1,653	3,216		
607	SNF - 2D											954	1,587	2,541		
608	SNF - 2E											1,869	2,190	4,059		
610	SNF - Wild Wild West											19,068	9,575	28,643		
611	SNF - Ponderosa											8,753	7,111	15,864		
613	ICF - Ward 5											11,154	12,657	23,811		
614	ICF - Ward 6											5,045	3,032	8,077		
615	ICF - Ward 7											5,411	7,913	13,324		
616	ICF - Ward 8											8,873	6,189	15,062		
617	ICF - Ward 9											24,504	8,682	33,186		
618	Nursing Float											11,237	10,862	22,099		
619	Nursing Escort											4,136	4,152	8,288		
620	URMDS											761	710	1,471		
622	Surgery											9,218	4,313	13,531		
623	Ambulatory Care Clinic											20,294	19,615	39,909		
624	Nursing Education											1,111		1,111		
625	Nursing Administration											612		612		
Total, Nursing		\$226,039	\$238,013	\$229,705	\$236,508	\$208,793	\$201,553	\$174,105	\$189,551	\$219,052	\$180,979	\$171,541	\$135,278	\$2,411,117	\$2,468,700	98%



APPENDIX D



**California Department of Veterans Affairs  
Bureau of State Audits Report  
Report 2009-108**

**RECOMMENDATION - I**

*To ensure that Mental Health Services Act funding is used for appropriate purposes, the department should, before awarding additional funds, enter into formal agreements with the respective CVSOs specifying the allowable uses of these funds.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Establish formal agreements with six counties.	MOU's have been submitted to and signed by the 6 CVSO's receiving Prop 63 funding.	5 of 6 Completed; San Bernardino pending Board approval/January 2010

**RECOMMENDATION – II**

*To expand its ability to inform veterans about the benefits services available to them by ensure that Veterans Services continues its efforts to gather veterans' contact information.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Continue to develop the VRMS and other contact information	<ol style="list-style-type: none"> <li>1.Establish a formal partnership with EDD to provide all names and contact information of discharging veterans from TAP classes.</li> <li>2.Solicit a contract to scan DD-214's.</li> </ol>	<ol style="list-style-type: none"> <li>1. In work/February 2010</li> <li>2. Procurement to be issued in January 2010 Full Implementation: April 2010</li> </ol>

**California Department of Veterans Affairs  
Bureau of State Audits Report  
Report 2009-108**

**RECOMMENDATION – III**

*To expand its ability to inform veterans about the benefits services available to them by:  
Update its website to ensure that it contains current, accurate, and useful information for  
veterans' reference.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Redesign and update the CDVA website.	<ol style="list-style-type: none"> <li>1. Hire a Web-Content manager/Designer to maintain content.</li> <li>2. The Department has begun working with the Office of the Chief Information Officer for California to expedite the redesign of the Department's website and the development of a Veterans Web-portal.</li> </ol>	<p>Completed</p> <p>January 31, 2010</p>

**RECOMMENDATION – IV**

*Ensure that Veterans Services implements a more systematic process for identifying and prioritizing the entities with which it collaborates.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Develop a process for identifying and prioritizing collaborations.	<ol style="list-style-type: none"> <li>1. Vet Services Division staff develop criteria and recommendations for prioritization.</li> <li>2. CDVA senior staff meet to discuss recommendations.</li> <li>3. Include priority agencies in “kitchen cabinet”.</li> </ol>	<ol style="list-style-type: none"> <li>1. Completed</li> <li>2. Scheduled for January 2010</li> <li>3. May 2010</li> </ol>

**California Department of Veterans Affairs  
Bureau of State Audits Report  
Report 2009-108**

**RECOMMENDATION – V**

*Enter into formal agreements with the state entities Veterans Services collaborates with, to ensure that they are accountable for the agreed-upon services and that these services continue despite staff turnover, changes in agency, priorities, or other factors that could erode these efforts.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Establish formal agreements with agencies	<ol style="list-style-type: none"> <li>1. Vet Services has agreements with DHCS, DMH, DGS, Cal Guard and Reserves.</li> <li>2. The department is currently establishing an MOU with AOD.</li> <li>3. Establish agreements with EDD, DMV and DCS.</li> </ol>	<ol style="list-style-type: none"> <li>1. Completed</li> <li>2. In work/February 2010</li> <li>3. Need to be negotiated/ July 2010</li> </ol>

**RECOMMENDATION – VI**

*The department should ensure that Veterans Services formally communicates this goal to the CVSOs and coordinated with them to reach some common goals related to serving veterans.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Establish a formal process for obtaining CVSO input on strategic planning under the auspices of the CACVSO.	<ol style="list-style-type: none"> <li>1. Meet with CACVSO to establish expectations related to implementing this strategy.</li> <li>2. Implement a letter of agreement with CACVSO to establish a formal dialogue on strategic planning.</li> </ol>	<ol style="list-style-type: none"> <li>1. Completed</li> <li>2. Completed</li> </ol>

**California Department of Veterans Affairs  
Bureau of State Audits Report  
Report 2009-108**

**RECOMMENDATION – VII**

*To ensure that it identifies where and how best to focus its outreach and coordination efforts to increase veterans' participation in C&P benefits, Veteran Services should require CVSOs to submit information on the number of claims filed for C&P benefits in their offices.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Revise workload reporting requirements to add sufficient granularity to C&P claims filed and awarded.	1. Determine methodology to improve granularity of reporting as common software project is deployed.	1. Under development/ Deploy with SAIM

**RECOMMENDATION – VIII**

*To ensure that it identifies where and how best to focus its outreach and coordination efforts to increase veterans' participation in C&P benefits, Veteran Services should require CVSOs to submit information about their outreach activities.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Add reporting of outreach activities to the MOU between CDVA and CVSO's.	1. Negotiate changes in subvention MOU with the counties. 2. Vet Services will include outreach reporting in the bi-annual reports from the CVSO's in July 2010.	In work/March 2010  First report/July 2010

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**RECOMMENDATION – IX**

*To ensure that it identifies where and how best to focus its outreach and coordination efforts to increase veterans' participation in C&P benefits, Veteran Services should continued its efforts to develop the SAIM system.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Implement the SAIM as an IT project.	1. Submit SAIM Feasibility Report (FSR)	Completed/Ongoing - FSR submitted in August 2009, currently under review at OCIO. Project will then follow implementation schedule identified in the FSR and subsequent Special Project Reports (SPR).

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**RECOMMENDATION – X**

*Ensure that it properly identifies and prioritizes the need of the veteran community by conducting a formal assessment of those needs, including soliciting input from the CVSOs.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
) Conduct surveys of California's veteran population to identify needs from their perspective.	1. Seek proposals from major educational institutions to conduct a formal research project. (a) Develop Statement of Work (b) Issue RFP (c) Award contract (d) Study completed	Completed  January 2010 February 2010 June 2010
	2. CDVA to conduct surveys using available contact lists. (a) Develop survey questions (b) Post survey online (c) Close initial survey (d) Publish findings (e) Incorporate results in annual strategic planning process.	Completed January 2010 March 1, 2010 May 30, 2010 July 1, 2010
b) Establish a "kitchen cabinet" to advise the Secretary on identifying the needs of California's veteran population.	1. Develop Charter	In development/January 2010
	2. Identify Chair	Completed. David Knudsen from Governor's Office staff to chair the cabinet.
	3. Identify and invent participants to include state and federal agencies and representatives from the regional collaborative.	In development/January 2010

c) Hold public hearings to assess the needs of California's veteran population.	1. Establish CDVA working group to develop implementation plan.	Working group meets January 6, 2010. First hearing schedule February 17/18 in Monterey.
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## **RECOMMENDATION - XI**

*Develop measureable goals and objectives that are directly aligned with the needs of the veteran community, based on its formal assessment of veterans/ needs.*

<b><u>Proposed Strategy</u></b>	<b><u>Specific Steps to Implement Strategy</u></b>	<b><u>Status/Projected Completion Date</u></b>
Establish a strategic planning process that incorporates the formal assessment of veteran needs.	1. Update the 2004-2009 Strategic Plan.	Completed
	2. Establish measurable objectives and plans of action through a formal strategic goal implementation plan.	Completed
	3. Incorporate goals more specific to veteran needs upon completion of actions identified in response to recommendation X	Initial inclusion planned in the 2010-2014 cycle of the strategic planning process. Ongoing/Annually